

AMENDED IN ASSEMBLY MARCH 21, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

No. 1206

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Introduced by Assembly Member ~~Torres Morrell~~

February 22, 2013

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An act to amend ~~Section 5003~~ *Sections 16522 and 53651* of the Government Code, relating to ~~bonds~~ *public funds*.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1206, as amended, ~~Torres Morrell. Public bonds. State and local agency funds: security for deposits.~~

*Existing law requires a bank, in order to be eligible to receive demand or time deposits of state funds, to deposit security with the Treasurer and specifies the securities that may be used for this purpose. Existing law includes specified letters of credit issued by the Federal Home Loan Bank of San Francisco within the list of securities appropriate for deposit. Existing law provides a similar list of securities in connection with the funds of local agencies.*

*This bill would revise the reference to letters of credit issued by the Federal Home Loan Bank of San Francisco in the provisions described above to refer instead to a letter of credit issued by a federal home loan bank.*

~~Existing law regulates the issuance of public bonds and obligations. Existing law provides for the registration of a public bond, after which the principal and interest of the bond are payable to the registered owner.~~

~~This bill would make a technical, nonsubstantive change in these provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: no.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     *SECTION 1. Section 16522 of the Government Code is*  
2     *amended to read:*

3     16522. The following securities may be received as security  
4     for demand and time deposits:

5     (a) Bonds, notes, or other obligations of the United States, or  
6     those for which the faith and credit of the United States are pledged  
7     for the payment of principal and interest, including the guaranteed  
8     portions of small business administration loans, so long as those  
9     loans are obligations for which the faith and credit of the United  
10    States are pledged for the payment of principal and interest.

11    (b) Notes or bonds or any obligations of a local public agency  
12    (as defined in the United States Housing Act of 1949) or any  
13    obligations of a public housing agency (as defined in the United  
14    States Housing Act of 1937) for which the faith and credit of the  
15    United States are pledged for the payment of principal and interest.

16    (c) Bonds of this state or of any county, city, town, metropolitan  
17    water district, municipal utility district, municipal water district,  
18    bridge and highway district, flood control district, school district,  
19    water district, water conservation district or irrigation district within  
20    this state, and, in addition, revenue or tax anticipation notes, and  
21    revenue bonds payable solely out of the revenues from a  
22    revenue-producing property owned, controlled or operated by this  
23    state, or such local agency or district, or by a department, board,  
24    agency, or authority thereof.

25    (d) Registered warrants of this state.

26    (e) Bonds, consolidated bonds, collateral trust debentures,  
27    consolidated debentures, or other obligations issued by the United  
28    States Postal Service, federal land banks or federal intermediate  
29    credit banks established under the Federal Farm Loan Act, as  
30    amended, debentures and consolidated debentures issued by the  
31    Central Bank for Cooperatives and banks for cooperatives  
32    established under the Farm Credit Act of 1933, as amended,  
33    consolidated obligations of the Federal Home Loan Banks  
34    established under the Federal Home Loan Bank Act, bonds,  
35    debentures and other obligations of the Federal National Mortgage  
36    Association and of the Government National Mortgage Association  
37    established under the National Housing Act as amended, in the  
38    bonds of any federal home loan bank established under said act,

1 bonds, debentures, and other obligations of the Federal Home Loan  
2 Mortgage Corporation established under the Emergency Home  
3 Finance Act of 1970, and in bonds, notes, and other obligations  
4 issued by the Tennessee Valley Authority under the Tennessee  
5 Valley Authority Act, as amended.

6 (f) Bonds and notes of the California Housing Finance Agency  
7 issued pursuant to Chapter 7 (commencing with Section 41700)  
8 of Part 3 of Division 31 of the Health and Safety Code.

9 (g) Promissory notes secured by first mortgages and first trust  
10 deeds upon residential real property located in California, provided  
11 that:

12 (1) Notwithstanding Section 16521, the promissory notes shall  
13 at all times be in an amount in value at least 50 percent in excess  
14 of the amount deposited with the bank;

15 (2) The Treasurer issues regulations, establishes procedures for  
16 determining the value of the promissory notes and develops  
17 standards necessary to protect the security of the deposits so  
18 collateralized;

19 (3) The depository may exercise, enforce, or waive any right or  
20 power granted to it by promissory note, mortgage, or deed of trust;  
21 and

22 (4) The following may not be used as security for deposits:

23 (i) Any promissory note on which any payment is more than 90  
24 days past due,

25 (ii) Any promissory note secured by a mortgage or deed of trust  
26 as to which there is a lien prior to the mortgage or deed of trust,  
27 or

28 (iii) Any promissory note secured by a mortgage or deed of trust  
29 as to which a notice of default has been recorded pursuant to  
30 Section 2924 of the Civil Code or an action has been commenced  
31 pursuant to Section 725a of the Code of Civil Procedure.

32 (h) Bonds issued by the State of Israel.

33 (i) Obligations issued, assumed, or guaranteed by the  
34 International Bank for Reconstruction and Development, the  
35 Inter-American Development Bank, the Asian Development Bank,  
36 the African Development Bank, the International Finance  
37 Corporation, or the Government Development Bank of Puerto  
38 Rico.

39 (j) Any municipal securities, as defined by Section 3(a)(29) of  
40 the Securities Exchange Act of June 6, 1934, (15 U.S.C. 78, as

1 amended), which are issued by this state or any local agency  
2 thereof.

3 (k) Letters of credit issued by ~~the Federal Home Loan Bank of~~  
4 ~~San Francisco~~ *a federal home loan bank*, which shall be in the  
5 form and shall contain provisions as the Treasurer may prescribe,  
6 and shall include the following terms:

7 (1) The Treasurer shall be the beneficiary of the letter of credit.

8 (2) The letter of credit shall be clean and irrevocable, and shall  
9 provide that the Treasurer may draw upon it up to the total amount  
10 in the event of the failure of the bank or if the bank refuses to  
11 permit the withdrawal of funds by the Treasurer or any other  
12 authorized state officer or employee.

13 *SEC. 2. Section 53651 of the Government Code is amended to*  
14 *read:*

15 53651. Eligible securities are any of the following:

16 (a) United States Treasury notes, bonds, bills or certificates of  
17 indebtedness, or obligations for which the faith and credit of the  
18 United States are pledged for the payment of principal and interest,  
19 including the guaranteed portions of small business administration  
20 loans, so long as the loans are obligations for which the faith and  
21 credit of the United States are pledged for the payment of principal  
22 and interest.

23 (b) Notes or bonds or any obligations of a local public agency  
24 (as defined in the United States Housing Act of 1949) or any  
25 obligations of a public housing agency (as defined in the United  
26 States Housing Act of 1937) for which the faith and credit of the  
27 United States are pledged for the payment of principal and interest.

28 (c) Bonds of this state or of any local agency or district of the  
29 State of California having the power, without limit as to rate or  
30 amount, to levy taxes or assessments to pay the principal and  
31 interest of the bonds upon all property within its boundaries subject  
32 to taxation or assessment by the local agency or district, and in  
33 addition, limited obligation bonds pursuant to Article 4  
34 (commencing with Section 50665) of Chapter 3 of Division 1,  
35 senior obligation bonds pursuant to Article 5 (commencing with  
36 Section 53387) of Chapter 2.7, and revenue bonds and other  
37 obligations payable solely out of the revenues from a  
38 revenue-producing property owned, controlled or operated by the  
39 state, local agency or district or by a department, board, agency  
40 or authority thereof.

1 (d) Bonds of any public housing agency (as defined in the United  
2 States Housing Act of 1937, as amended) as are secured by a pledge  
3 of annual contributions under an annual contribution contract  
4 between the public housing agency and the Public Housing  
5 Administration if such contract shall contain the covenant by the  
6 Public Housing Administration which is authorized by subsection  
7 (b) of Section 22 of the United States Housing Act of 1937, as  
8 amended, and if the maximum sum and the maximum period  
9 specified in the contract pursuant to that subsection 22(b) shall not  
10 be less than the annual amount and the period for payment which  
11 are requisite to provide for the payment when due of all  
12 installments of principal and interest on the obligations.

13 (e) Registered warrants of this state.

14 (f) Bonds, consolidated bonds, collateral trust debentures,  
15 consolidated debentures, or other obligations issued by the United  
16 States Postal Service, federal land banks or federal intermediate  
17 credit banks established under the Federal Farm Loan Act, as  
18 amended, debentures and consolidated debentures issued by the  
19 Central Bank for Cooperatives and banks for cooperatives  
20 established under the Farm Credit Act of 1933, as amended,  
21 consolidated obligations of the federal home loan banks established  
22 under the Federal Home Loan Bank Act, bonds, debentures and  
23 other obligations of the Federal National Mortgage Association  
24 or of the Government National Mortgage Association established  
25 under the National Housing Act, as amended, bonds of any federal  
26 home loan bank established under that act, bonds, debentures and  
27 other obligations of the Federal Home Loan Mortgage Corporation  
28 established under the Emergency Home Finance Act of 1970, and  
29 obligations of the Tennessee Valley Authority.

30 (g) Notes, tax anticipation warrants or other evidence of  
31 indebtedness issued pursuant to Article 7 (commencing with  
32 Section 53820), Article 7.5 (commencing with Section 53840) or  
33 Article 7.6 (commencing with Section 53850) of this Chapter 4.

34 (h) State of California notes.

35 (i) Bonds, notes, certificates of indebtedness, warrants or other  
36 obligations issued by: (1) any state of the United States (except  
37 this state), or the Commonwealth of Puerto Rico, or any local  
38 agency thereof having the power to levy taxes, without limit as to  
39 rate or amount, to pay the principal and interest of such obligations,  
40 or (2) any state of the United States (except this state), or the

1 Commonwealth of Puerto Rico, or a department, board, agency  
2 or authority thereof except bonds which provide for or are issued  
3 pursuant to a law which may contemplate a subsequent legislative  
4 appropriation as an assurance of the continued operation and  
5 solvency of the department, board, agency or authority but which  
6 does not constitute a valid and binding obligation for which the  
7 full faith and credit of such state or the Commonwealth of Puerto  
8 Rico are pledged, which are payable solely out of the revenues  
9 from a revenue-producing source owned, controlled or operated  
10 thereby; provided the obligations issued by an entity described in  
11 (1), above, are rated in one of the three highest grades, and such  
12 obligations issued by an entity described in (2), above, are rated  
13 in one of the two highest grades by a nationally recognized  
14 investment service organization that has been engaged regularly  
15 in rating state and municipal issues for a period of not less than  
16 five years.

17 (j) Obligations issued, assumed or guaranteed by the  
18 International Bank for Reconstruction and Development,  
19 Inter-American Development Bank, the Government Development  
20 Bank of Puerto Rico, the Asian Development Bank, the  
21 International Finance Corporation, or the African Development  
22 Bank.

23 (k) Participation certificates of the Export-Import Bank of the  
24 United States.

25 (l) Bonds and notes of the California Housing Finance Agency  
26 issued pursuant to Chapter 7 (commencing with Section 51350)  
27 of Part 3 of Division 31 of the Health and Safety Code.

28 (m) Promissory notes secured by first mortgages and first trust  
29 deeds which comply with Section 53651.2.

30 (n) Any bonds, notes, warrants, or other evidences of  
31 indebtedness of a nonprofit corporation issued to finance the  
32 construction of a school building or school buildings pursuant to  
33 a lease or agreement with a school district entered into in  
34 compliance with the provisions of Section 39315 or 81345 of the  
35 Education Code, and also any bonds, notes, warrants or other  
36 evidences of indebtedness issued to refinance those bonds, notes,  
37 warrants, or other evidences of indebtedness as specified in Section  
38 39317 of the Education Code.

39 (o) Any municipal securities, as defined by Section 3(a)(29) of  
40 the Securities Exchange Act of June 6, 1934, (15 U.S.C. Sec. 78,

1 as amended), which are issued by this state or any local agency  
2 thereof.

3 (p) With the consent of the treasurer, letters of credit issued by  
4 ~~the Federal Home Loan Bank of San Francisco~~ which *a federal*  
5 *home loan bank* that comply with Section 53651.6.

6 ~~SECTION 1. Section 5003 of the Government Code is amended~~  
7 ~~to read:~~

8 ~~5003. After a bond is registered, the principal and interest of~~  
9 ~~the bond are payable to the registered owner.~~